

**COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTERS	<input type="checkbox"/>	DATE	<u>February 6, 2008</u>
MOTOR CARRIER MATTERS	<input type="checkbox"/>	DOCKET NO.	<u>2007-286-WS</u>
UTILITIES MATTERS	<input checked="" type="checkbox"/>		

**SUBJECT:**

DOCKET NO. 2007-286-WS - Application of Utilities Services of South Carolina, Incorporated for Adjustment of Rates and Charges and Modifications to Certain Terms and Conditions for the Provision of Water and Sewer Service – Hearing was Held on December 13, 2007 – This Matter is Ready for Final Disposition.

**COMMISSION ACTION:**

The parties have now submitted proposed orders in which they agree to all of the Office of Regulatory Staff's accounting adjustments, as well as on a proposed return on equity, operating margin, and additional revenues. However, Mr. Chairman, there are several things that are fundamentally wrong with this case that I believe require us to deny and dismiss the Application.

First, I move that we overrule the Company's objections to the public testimony that we heard. Specifically, with regard to John Snavelly's testimony at the hearing held on December 13<sup>th</sup> 2007, I agree with the Company that Mr. Snavelly is not party to this action solely by virtue of being a customer; however, this does not prevent us from considering his testimony regarding the company and his opinions on the conduct of the case.

I would note that we approved a revenue increase of \$614,708 for this Company two years ago, and now that same Company has come back to us, asking for additional revenues of \$772,965, based on the proposed orders.

I point to the testimony of the Company's regional director, Bruce Haas, at the hearing. Mr. Haas says that, in a variety of capital projects and expenditures, the Company has documented over five million dollars worth of plant additions since October 2002, and has made over three million dollars worth of plant additions since the Company's last rate case. However, Mr. Haas did not provide many specifics about these improvements, such as where they were added, and to which systems.

Mr. Haas also stated that there were a wide range of other improvements and repairs made, like the addition of water storage tanks and chemical feed tanks, but he did not specify any subdivisions where these improvements and repairs were made. For instance, although Mr. Haas insisted that some type of upgrade was done on every single facility, he could not name any specific improvements made in the Plantation system in York County when asked by a Commissioner.

In fact, for the most part, a review of the evidence leaves me unable to determine what has been done in the way of improvements and repairs to the company's various systems since the Company's last rate case.

After considering the testimony of the Rock Hill night hearing witnesses, I question what, if any, improvements have been made to the systems in that area since the last rate case. We heard from witness after witness who described various water quality complaints, and stated that the water quality in their systems has not improved since the last rate case.

I believe that the Company has failed to show this Commission what it has done to deserve a rate increase since the last rate case, especially in view of the continuing complaints with regard to quality of service. I do not believe that the Company can meet its burden by just stating the amount of expenditures it has made, without specifically identifying where the expenditures were made, and explaining how they contributed to improved service. Nor is it reasonable to just recite certain improvements that were made without citing the particular systems affected.

Next, I would point out that the Company has failed to provide required information in regard to affiliate transactions. Specifically, Ms. Georgiev was unable to provide comparable data on what other companies would charge USSC for the same sludge-hauling service as provided by the Company affiliate, Bio-Tech.

The Company's DHEC violations are troublesome as well. Neither Mr. Haas, nor any other witness, addressed the fact that the Shandon water system in the Rock Hill area had exceeded the lead "action level" for the monitoring period of June through September 2006. A customer, Ms. Linda Hogan Fick, actually presented a letter from the utility discussing this issue, and it is in the record from the Rock Hill night hearing.

The failure of the parties, and especially the Company, to address this issue leads me to wonder what other DHEC violations might have occurred with the USSC systems that were not brought to the attention of this Commission. In my opinion, this is another example of the Company's failure to provide adequate service.

Lastly, I was troubled by the testimony that we heard from Anderson-area customers. That testimony showed that the Anderson distribution-only customers are paying water rates that are much higher than those paid by their neighbors in nearby subdivisions, who purchase their water from the same municipal system.

For example, Melanie Wilson testified that USSC customers in the Lakewood Subdivision already pay 142% more than their neighbors in the Green Hill Subdivision, who are customers of Hammond Water District. The proposed orders submitted to us by the ORS and the Company would result in Lakewood residents paying an estimated 182% more than Green Hill residents, based on the Hammond usage rate of \$2.34 per 1,000 gallons. I find this disparity troubling, and I have yet to hear a convincing explanation for it. The Company has also failed to provide a reasonable explanation for the proposed increase in the distribution-only rate.

If I were not already making a motion to deny the entire rate increase, I would move to deny the rate increase to the distribution-only customers in the Anderson area. From the evidence that we heard in Anderson, an increase to those customers would be grossly unfair. But since, under my motion, we would deny and dismiss the entire application, I believe that the interests of the Anderson distribution-only customers are served.

Having already discussed reasons why we should do so, I move that we deny and dismiss the Application in this Docket.

PRESIDING	<u>Hamilton</u>				Session: Regular
	MOTION	YES	NO	OTHER	Time of Session <u>10:30 AM</u>
CLYBURN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		APPROVED _____
FLEMING	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		APPROVED STC 30 DAYS _____
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		ACCEPTED FOR FILING _____
HOWARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		DENIED _____
MITCHELL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		AMENDED _____
MOSELEY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		TRANSFERRED _____
WRIGHT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		SUSPENDED _____
					CANCELED _____
					SET FOR HEARING _____
					ADVISED _____
					CARRIED OVER _____
					RECORDED BY <u>SCHMIEDING</u>